

SIGIR AUDITS

From August 1, 2006, to October 31, 2006, SIGIR completed 8 audit products, bringing the total number of audit products to 73. This quarter, SIGIR audits addressed a wide range of issues, including the use of an administrative task order to track indirect costs; the capacity of Iraqi Security Forces (ISF) to provide and sustain logistics support; the execution of improper obligations; the assessment of controls over weapons provided to the ISF by the Department of Defense (DoD); the overuse of proprietary data marking by the Logistics Civilian Augmentation Program (LOGCAP) contractor; and an examination of the Provincial Reconstruction Team (PRT) program.

SIGIR also issued two draft reports and has 16 ongoing audits. At least eight more audits are planned to start next quarter. SIGIR per-

forms audit work under the generally accepted government auditing standards.

Details on SIGIR audits are presented throughout this Report:

- For titles of this quarter's eight audit products, see Table 3-1.
- For information on all SIGIR audit work completed as of October 31, 2006, and for the full text of all final audit products, see the SIGIR website: <http://www.sigir.mil/>.
- For a complete listing of SIGIR audit products to date, see Appendix H.

This quarter, SIGIR Audit reviewed some aspects of the rush to obligate money from the Iraq Relief and Reconstruction Fund (IRRF) before September 30, 2006, when the authority to obligate IRRF money expired. A

SIGIR AUDIT PRODUCTS, AS OF OCTOBER 30, 2006

REPORT NUMBER	REPORT TITLE	DATE ISSUED
06-028	Review of Administrative Task Orders for Iraq Reconstruction Contracts	October 2006
06-031	Management of the Iraqi Interim Government Fund	October 2006
06-032	Iraqi Security Forces: Review of Plans To Implement Logistics Capabilities	October 2006
06-033	Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund	October 2006
06-034	Status of the Provincial Reconstruction Team Program in Iraq	October 2006
06-035	Interim Audit Report on Inappropriate Use of Proprietary Data Markings by the Logistics Civil Augmentation Program (LOGCAP) Contractor	October 2006
06-037	Interim Report on Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)	September 2006
06-038	Unclassified Summary of SIGIR's Review of Efforts To Increase Iraq's Capability to Protect its Energy Infrastructure	September 2006

TABLE 3-1

review of unmatched IRRF disbursements (SIGIR project 6027) and unliquidated IRRF obligations (SIGIR project 6026), identified an account called “dummy vendors,” which had a balance of \$362 million in unliquidated obligations. The review concluded that these obligations were improper, and SIGIR recommended that these funds be de-obligated for immediate needs. The impact of this practice may have resulted in higher priority programs or projects to the overall IRRF program going unfunded. For the details of this review, see the “Interim Report on Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)” (SIGIR-06-037).

SIGIR also continues to find that security throughout Iraq remains a challenge to the management and oversight of many projects. SIGIR’s report on the “Status of the PRT Program in Iraq” (SIGIR-06-034) notes that all participants—Iraqis and Americans—risk their lives every day to carry out the PRT mission. However, the lack of a single organization responsible for the overall IRRF program and the inability of U.S. government agencies to cooperate with each other continue to limit progress.

SIGIR observes and reports on project or program failures that result from inconsistent policies and processes across all U. S. government entities. In SIGIR’s assessment of the PRT Program, SIGIR found that the PRT staffs on military forward-operating bases were spending more time on administrative matters than mission work. Personnel interviewed for the report cited the lack of a clearly defined

mission for the PRTs. They also reported that adequate resources to perform the mission have been promised, but not provided sufficiently.

This quarter, SIGIR conducted two audits requested by the Chairman of the Senate Armed Services Committee:

- “Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities” (SIGIR-06-032)
- “Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund” (SIGIR-06-033)

The two reviews were coordinated with the Government Accountability Office (GAO), the DoD Office of Inspector General (DoD OIG), and the Under Secretary of Defense for Acquisition, Logistics, and Technology. These reports presented nine recommendations to improve planning, accountability, and capacity development in both functional and resource management.

SIGIR has one review underway with the support of the Department of State Office of Inspector General (DoS OIG). In addition, SIGIR is coordinating several other efforts with GAO and the various accountability organizations of Multi-National Force-Iraq (MNF-I) and the Multi-National Security Transition Command-Iraq (MNSTC-I).

SIGIR chaired a meeting of the Iraq Accountability Working Group on July 30, 2006. The liaisons from many organizations, fellow auditors, and internal management

evaluators met to discuss ongoing efforts and emerging issues.

SIGIR continues to apply a balanced approach to provide insight, foresight, and oversight through audit and non-audit activities assisting executing organizations in Iraq and those who support these organizations outside Iraq.

- SIGIR's insight efforts advise leadership on governance issues, with the emphasis on creating an environment of accountability, rule of law, and public trust in Iraq.
- SIGIR's foresight efforts continue to focus on end-state issues, such as cost-to-complete, transition, sustainment, and capacity building.
- SIGIR's oversight efforts, an IG's traditional focus, address the ability to obtain the maximum return on the U.S. taxpayer investment and promote transparency and accountability of the U.S. administration of any Iraqi resources used.
- SIGIR performance audits also evaluate the economy, efficiency, and effectiveness of Iraq relief and reconstruction projects.

On average, 25 SIGIR auditors are on the ground in Iraq on any given day, with an additional 7 located in SIGIR's Arlington, Virginia office. The audit section comprises very experienced auditors, evaluators, management and program analysts, contract specialists, editors, and program acquisition specialists. The combined experience of the section brings more than 700 years—an average of 22 years each—of audit and audit-related experience

to bear on SIGIR audits. SIGIR also has the capability by contract or by special authority to add expertise to each audit team for any area under review.

Final Audit Products

Review of Administrative Task Orders for Iraq Reconstruction Contracts

SIGIR-06-028, OCTOBER 2006

Introduction. Congress appropriated \$18.4 billion for security, relief, rehabilitation, and reconstruction of Iraq to the IRRF 2. At the beginning of calendar year 2004, the U.S. government released a design-build (DB) requirement in a request for proposal to provide construction services in Iraq. From January 13, 2004, to March 26, 2004, 12 DB cost-reimbursement contracts totaling \$5.8 billion were awarded to 9 contractors. (Two contractors received multiple contracts.)

Contractors incur administrative and overhead costs, as well as direct costs, associated with performing work. For these DB contractors, there was no consistent contract requirement for them to separately track and report to the U.S. government their administrative and overhead costs. To some extent, information on these indirect costs can be extracted from:

- individual invoices when submitted at a detailed level by contractors
- management cost reports when required to be submitted by contractors
- task orders that have been established under the contract to specifically isolate administrative and overhead costs

In spring 2004, senior Program Management Office and contracting officers sought to simplify the tracking of administrative and overhead costs for the 12 DB contracts through a new type of task order—an administrative task order (ATO). ATOs were intended to capture all administrative and overhead costs for each DB contract, separate from direct costs, for each individual construction task order under the contract. This was expected to provide several benefits, including allowing the PCO managers to better understand direct and indirect contractor costs and to increase the ability of managers to control and minimize administrative costs.

Objectives. This audit was initiated to evaluate the effectiveness of project management and the monitoring and controls exercised by administrative contracting officers. Specifically, the objectives of the audit were to determine:

- Did ATOs vary from one design-build contractor to another?
- Did ATOs accomplish the intended purpose, to capture the fixed administrative costs of the design-build contractors?
- Did increased or decreased periods of contract/task order performance impact the value of ATO cost?
- Did the de-scoping of projects impact the need for certain administrative costs included in the ATO?

SIGIR found that ATOs were issued on 6 of the 12 DB contracts. Further, one of the six DB contracts with an ATO was terminated and demobilized less than one year after contract

award. Therefore, SIGIR's review focused on the 11 active DB contracts, of which 5 were issued one or more ATOs. Because the first two objectives are closely linked, they are combined for discussion in the report.

Findings. The DB contractors' administrative costs were not uniformly tracked because ATOs were not issued for all 11 DB contracts, and there were inconsistencies in the ATOs that were issued, specifically:

- ATOs were issued for only 5 of the 11 DB contracts.
- Of the 5 DB contracts, 2 were issued ATOs that covered and separately identified four categories of ATO costs (Mobilization and Transportation, Management and Administration, Security, and Life Support).
- For the other 3 DB contracts, 2 were issued a single ATO that combined, rather than separated, ATO costs by specific categories; and one was issued an ATO that covered only Life Support costs.

In a series of audits, the Defense Contract Audit Agency (DCAA) found that for the five contracts for which ATOs were issued, only one of the contractors had adequate accounting and billing systems to capture administrative costs. Although SIGIR relied on the contractors' invoices to analyze costs, DCAA's findings raise questions about the actual value of the invoiced costs.

Furthermore, the ATOs were issued at different times after contract award:

- For four of the five DB contracts, ATOs were issued sometime between when mobi-

lization task orders (TOs)³⁶² were issued and when substantial work began on the project. The earliest ATOs were issued two months after the mobilization TOs were issued.

- For the fifth DB contract, ATOs were not issued until after substantial work began. For details of these task orders, see Audit 06-028 at www.sigir.mil.

In the period before ATOs were issued, administrative costs would have likely been invoiced by the contractors against their existing mobilization or direct project task orders (or a combination of the two).

During periods of limited direct project activity, ATO costs were greater than direct TO costs for the five DB contracts. During the period between contractor mobilization and the start of substantial direct project work—from February to November 2004—contractors for these five contracts submitted invoices for \$62.1 million in ATO costs and \$26.7 million in direct project costs.

Three to nine months elapsed from the date when the mobilization TO was issued and the date when substantial direct project work began. For the five DB contracts, the average time elapsed was six months.

SIGIR believes that administrative and overhead costs that were intended to be charged against ATOs were actually higher than those invoiced because ATOs were not issued concurrent with the mobilization task orders. Contractors would have begun to incur administrative costs from the onset of mobilization.

In the absence of ATOs, the contractors had no other option but to include administrative costs in their mobilization or direct task order invoices, or a combination of the two.

For example, the longest period between mobilization and the beginning of substantial direct project work—and the highest ATO costs—involved the Kellogg Brown and Root (KBR) DB contract. Although KBR was issued its mobilization task order on February 15, 2004, ATOs were not issued until June 7, 2004, almost four months after the mobilization TO. Substantial direct project activity did not occur until November 19, 2004. During this billing period, KBR's ATO costs were \$52.7 million. Direct project costs were \$13.4 million, and mobilization costs were \$5.8 million. Because KBR could not invoice administrative costs against ATOs until June 7, 2004, SIGIR believes that KBR's cumulative administrative costs were higher than the \$52.7 million it invoiced against the ATOs, and its mobilization and/or direct project costs were lower than the invoiced amounts. In a letter of concern to KBR about its cost reporting on August 28, 2004, the contracting officer stated that the contract was rapidly accruing exorbitant costs.

SIGIR was unable to determine how de-scoping contract actions affected ATO costs because invoices are not maintained in a form that allowed such analysis. In one instance, SIGIR identified a de-scoping action that occurred on December 27, 2004, which was followed by an increase rather than a decrease in ATO costs. However, SIGIR cannot draw any conclusions from this analysis because the

ATO costs included administrative costs for 14 different TOs issued under the contract, and the ATO invoices do not break out—nor are they required to break out—indirect costs by individual TOs. Furthermore, individual TOs are allowed to include multiple projects. In another instance, SIGIR documented that most costs incurred for the DB contract cancelled less than a year after it was issued were for mobilization, demobilization, and administrative costs.

SIGIR discussed the results of this work with officials from the U.S. Army Corps of Engineers (USACE), Gulf Region Division-PCO (GRD-PCO). The officials told SIGIR that there were other ways to track administrative costs—specifically through management cost reports. These officials also suggested that SIGIR not publish this audit report because it would be of limited or no value now that contracts are being awarded to Iraqi rather than U.S. contractors.

SIGIR did not agree with the GRD-PCO positions. In response to the GRD-PCO suggestion that management reports are another way to track administrative costs, SIGIR examined management reports provided for each of the 11 DB contracts. The review indicated that reporting of administrative costs varied from contract to contract and did not capture specific administrative costs as comprehensively as ATOs. SIGIR believes that there is value in understanding the extent to which administrative costs were tracked and reconstruction funds were used for administrative costs rather

than direct project costs—regardless of the nationality of individual contractors.

Recommendations. To enable the U.S. government to better track administrative and overhead costs for future reconstruction contracts—funded through the IRRF or in any future reconstruction effort—and to minimize costs during periods of inactivity until the authorization to begin work can be issued, SIGIR recommends that the Commanding General of GRD-PCO coordinate with the Commanding General of the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to take these actions:

1. Ensure that cost-reimbursement contracts contain explicit requirements for all contractors in Iraq and future reconstruction efforts for segregating, tracking, and billing administrative costs—such as through the use of contractual direction, including segregating and reporting administrative costs in management cost reports.
2. Ensure that adequate project planning is conducted to minimize contractor down-time between the issuance of mobilization orders and the beginning of substantial direct project activity.
3. Improve processes to monitor contractor administrative costs to ensure that the level of administrative activity is appropriately adjusted to reflect any work stoppages, de-scoping actions, and reductions attributable to project completion or close-out.

Management Comments and Audit

Response. *SIGIR received written comments on a draft of this report from GRD-PCO and the JCC-I/A. Both organizations concurred with all of SIGIR's recommendations. Both noted a caveat that recommendation number one would apply only to cost-reimbursement contracts, but not to fixed-price (direct) contracts. SIGIR agreed and clarified this recommendation accordingly. GRD-PCO did not agree with some of SIGIR's conclusions and analytical methods. SIGIR did not agree with GRD-PCO's interpretations regarding the analysis or presentation of findings. SIGIR has addressed those comments in the Management Comments and Audit Response section of the report.*

Management of the Iraqi Interim Government Fund

SIGIR-06-031, OCTOBER 2006

Introduction. In 2004, the Iraqi Interim Government established the Iraqi Interim Government Fund (IIGF), providing \$136 million from the Development Fund for Iraq (DFI)³⁶³ for U.S. military commanders to respond to the urgent humanitarian relief and reconstruction requirements in their areas of responsibility. Multi-National Force-Iraq (MNF-I) is responsible for overseeing and reporting monthly to the Iraqi government on the status of IIGF projects and financial information. MNF-I's subordinate command, the Multi-National Corps-Iraq (MNC-I), is responsible for management of the IIGF projects. IIGF projects involve the repair or reconstruction of hospitals and clinics, the provision of

electrical equipment (such as generators), and civic cleanup. One of its purposes is to employ as many Iraqis as possible. As of July 31, 2006, MNC-I reported that it had disbursed \$114.9 million for 683 IIGF projects and that 628 are complete.

Objectives. The audit addressed these questions:

- Can MNF-I properly account for the funds provided by the IIGF?
- Were the funds used for their intended purposes?

Findings. MNF-I can account for the \$136 million of IIGF monies in its overall financial records. For the 26 projects that SIGIR randomly reviewed, MNF-I used the funds for their intended purposes and in accordance with appropriate rules and regulations. However, SIGIR also found that project files were incomplete and that data could not be reconciled to the financial records or to the project files. Further, although monthly reports to the Iraqi government on the status and uses of the IIGF are required, SIGIR found that MNF-I had not reported to the Iraqi government since December 2005.

SIGIR's review of the 26 completed project files found that only 2 contained all of the required documents. SIGIR also found that MNC-I could not pinpoint the location of all completed IIGF project files. These deficiencies could result in the lack of a historical accounting and transparency of the U.S. relief and reconstruction efforts in Iraq.

SIGIR found that the project manage-

ment system used by MNF-I to record project information has not been reconciled with the Army's financial data system. Also, the project management system does not always reflect the complete IIGF project file data. However, MNF-I and MNC-I have actions underway to improve data quality.

Recommendations. Because MNF-I has not been submitting to the Iraqi government the required monthly IIGF accounting reports on the use of the DFI since December 2005, SIGIR recommends that the Commanding General, MNF-I:

1. Provide the Iraqi government the required accounting of the use of these funds. This accounting should comply with MNF-I Fragmentary Order 603, "Accountability of Funds from the Iraqi Interim Government," and be henceforth submitted monthly, as required.

Further, SIGIR recommends that the Commanding General, MNF-I, direct program managers and subordinate commands to take these actions:

2. Enforce existing guidance on maintaining project records, including conducting quarterly reviews to ensure the accuracy of IIGF project files.
3. Develop a tracking system for controlling and processing IIGF project files through the entire management process.
4. Continue efforts to improve IRMS accuracy for IIGF projects.

Management Comments and Audit

Response. *SIGIR received written comments on*

a draft of this report from MNF-I. The MNF-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to their comments, MNF-I resumed its monthly reporting to the Iraqi government in July 2006. However, upon obtaining the MNF-I July report, SIGIR found that it was not signed by MNF-I until September 13, 2006. The comments received were fully responsive. MNF-I's comments are included in the Management Comments section of this report.

Iraqi Security Forces: Review of Plans To Implement Logistics Capabilities

SIGIR-06-032, OCTOBER 2006

Introduction. The Administration's *National Strategy for Victory in Iraq* lays out the goals and general framework to achieve security and stability in Iraq, to include the capacity of the Iraqi government to defeat terrorists and neutralize insurgents and illegal armed groups. On October 13, 2005, DoD reported to the Congress that the development and fielding of Iraqi logistics capabilities³⁶⁴ is a critical component for ISF in conducting security operations independently.³⁶⁵ MNF-I is using funds from both the IRRF and the Iraq Security Forces Fund (ISFF) to build the logistics capabilities of the Iraqi Army under the Ministry of Defense and the Iraqi local and national police forces under the Ministry of Interior. Our report is limited to the use of IRRF to achieve these goals, while the DoD Office of Inspector General and the U.S. Government Accountability Office have been charged with reporting on ISFF expenditures. As of August 1, 2006, the United States

had spent \$666 million from the IRRF on the development and fielding of these capabilities.

Objectives. The purpose of this review was to identify whether efforts to build logistics capabilities within the ISF are being properly managed and are achieving their intended outcomes. Specifically, the objectives of the audit were to determine:

- DoD's plans and timelines for implementing a functioning logistics operation within the ISF
- plans and timelines for transitioning a sustainable and maintainable logistics operation to the Ministry of Defense and the Ministry of Interior for sustaining and maintaining the force structure
- barriers and resource limitations to the success of long-term sustainment capabilities within the ISF

To respond to the audit objectives, SIGIR structured the report in two sections to discuss the findings. The first section focused on the development of the Iraqi Army logistics capabilities within the Ministry of Defense. The Iraqi Army and its support forces comprise about 98% of the total force that MNF-I is training for the Ministry of Defense. Because the Iraqi Navy and Air Force will not be fully formed until at least summer 2007, SIGIR focused on MNF-I's efforts in the Ministry of Defense to implement logistics capabilities to support the Iraqi Army. The assessment centered on the development of the Iraqi Army's tactical and operational maintenance, transportation, supply, and health logistics

support. The second section focused on the development of the logistics capabilities of the Ministry of Interior and its local and national police forces.

Findings. MNF-I has made some progress in its efforts to build effective logistics capabilities within the Iraqi Army and to transition these capabilities to the control of the Ministry of Defense. However, significant challenges remain that put at risk MNF-I's goal to transition a sustainable and maintainable logistics operation to the Ministry of Defense by January 1, 2008. Further, the audit found that the planning for logistics capabilities for the Ministry of Interior is incomplete. Consequently, SIGIR also believes that MNF-I will face significant challenges implementing and transitioning logistics capabilities to the Ministry of Interior and its local and national police forces.

Ministry of Defense. MNF-I has much to do to meet its goal of implementing logistics capabilities within the Iraqi Army, to transition these to Ministry of Defense control periodically over the next 15 months, and to transfer all capabilities by January 1, 2008. Although MNF-I does not know how many logistics personnel it has trained, MNF-I has made some progress in its efforts to build logistics capabilities within the Iraqi Army and to transition these capabilities to the control of the Ministry of Defense. Nevertheless, significant challenges remain that put MNF-I's goal at risk:

- *Adequate personnel to train Iraqi Army logistics units*—MNF-I has acknowledged that it has an insufficient number of logis-

tics personnel in Iraq to train Iraqi Army logistics units simultaneously and that it has not developed a plan to address this shortfall. MNF-I told SIGIR auditors that it is considering using a train-the-trainer model, in which Iraqi logistics soldiers who have already been trained would be paired with other Iraqi soldiers. This would maximize the number of trained personnel. MNF-I has yet to commit to this course of action.

- *Ensuring that there are enough trained soldiers to implement its plans*—MNSTC-I could not tell SIGIR how many personnel have been trained to support these logistics functions. Further, not all trained soldiers are assigned to and remain with logistics units, particularly for operational-level logistics units that require personnel with advanced specialty training, such as doctors, nurses, medics, and mechanics.
- *Ensuring that the Ministry of Defense provides enough funds to sustain the logistics capabilities that MNF-I is planning to transfer to Iraqi Army control in 2007*—MNSTC-I estimates that it will cost the Ministry of Defense about \$3.5 billion to sustain its operations in 2007. Because the Ministry of Defense budget has not been submitted to or approved by the Iraqi Parliament, it is not possible to assess whether the Ministry of Defense is prepared to provide sufficient funds to support logistics capabilities in 2007.

Ministry of Interior. MNF-I does not expect to complete its plans to develop logistics capabilities within the Ministry of Interior until the end of November 2006. Once finalized, SIGIR believes that MNF-I will face significant challenges that will put its plans at risk:

- *Implementing its plan and achieving logistics capabilities within the Ministry of Interior*—because the Ministry does not control the Iraqi Police Service.³⁶⁶
- *Training enough logistics personnel to implement its plans*—because MNF-I plans are not yet final, there can be no assurance that MNSTC-I is planning to train enough police forces logistics personnel by the end of 2006.
- *Ensuring that the Ministry of Interior provides enough funds to sustain the logistics capabilities of the Iraqi police forces in 2007*—MNSTC-I estimates it will cost the Ministry of Interior about \$2.4 billion to sustain its operations in 2007. Because the Ministry of Interior's budget has also not been submitted to or approved by the Iraqi Parliament, it is not possible to assess whether the Ministry of Interior is prepared to provide sufficient funds to support logistics capabilities in 2007.

Given the challenges that MNF-I faced within the Ministry of Interior, SIGIR believes that there is a significant risk that even if the initial goal to develop a sustainable logistics capability plan is achieved by the end of November 2006, the Ministry of Interior will not be capable of assuming and sustaining

logistics support for the Iraqi local and national police forces in the near term.

Related Observation. During the audit, SIGIR examined data that MNC-I used to track its expenditures for supplies and other services that it provided to the ISF from January through June 2006. SIGIR found that MNC-I did not account for a relatively small amount of the funds that were spent in this period (about \$900,000 was spent). SIGIR also found that neither 22% of the funds spent to support the Iraqi Armed Forces nor 84% of the funds spent to support the Iraqi local and national police forces were assigned to an appropriate supply category, although MNC-I was required to assign both.

Management Actions. During this audit, SIGIR notified MNF-I of several discrepancies in the data MNC-I used to track its expenditures for supplies and other services that it provided to the ISF from January through June 2006. Although MNF-I has already made adjustments to the reporting process to improve the accuracy and consistency of MNC-I's reporting, MNC-I officials said they would also take action to adjust the data to accurately reflect the historical costs of its logistics support to the ISF. Corrective action to improve data accuracy had not been completed as of the preparation of this report.

Recommendations. SIGIR recommends that the Commanding General, MNF-I, direct his staff and MNF-I subordinate commands to take these actions:

1. In cooperation with the Ministry of Defense, identify Iraqi Army logistics per-

sonnel requirements and formulate a plan for training these personnel.

2. In cooperation with the Ministry of Interior, identify Iraqi local and national police forces logistics personnel requirements and formulate a plan for training these personnel.
3. On receipt of the Iraqi Ministry of Defense and Ministry of Interior budgets for 2007, identify the extent to which they adequately support the logistics capabilities that MNF-I plans to transfer to it.

Developing and fielding Iraqi logistics capabilities is a critical component of the U.S. government effort to help the ISF of the Ministry of Defense and the Ministry of Interior become capable of independently conducting security operations. Therefore, SIGIR recommends that the Secretary of Defense take these actions:

4. Provide Congress an assessment in the quarterly report, *Measuring Security and Stability in Iraq*,³⁶⁷ to include:
 - details of MNF-I's plan(s) and progress in executing the plan(s) to train ISF logistics personnel, for both the Ministry of Defense and the Ministry of Interior
 - the adequacy of the Ministry of Defense and Ministry of Interior budgets to support their respective logistics capability

Management Comments and Audit

Response. *SIGIR received written comments from MNF-I and, on behalf of the Secretary of Defense, from the Defense Reconstruction*

Support Office (DRSO). MNF-I concurred with SIGIR's recommendations. DRSO said that it would include SIGIR's recommended information in its quarterly report, "Measuring Security and Stability in Iraq" to the extent the information reflects the statutory scope of the report. However, DRSO also stated that the assessment recommended by SIGIR is outside the scope of the current legislation. DRSO asserted that information contained in the quarterly report is directed by law and that DRSO follows the statutory language in determining content.

SIGIR disagrees with the DRSO response. SIGIR believes that the assessments recommended to be part of the DoD quarterly report are well within the scope of current legislation. Specifically, Section 9010 (c) of the National Defense Appropriations Act for 2007, P.L. 109-289, directs that the report address, at a minimum, the operational readiness status of the Iraqi military forces, key criteria for assessing the capabilities and readiness of the Iraqi police and other Ministry of Interior forces, and goals for achieving certain readiness and capability levels. As discussed, the Commanding General, MNF-I, stated on August 30, 2006, that logistics capabilities were one of the key enablers to help get ISF to the point where they can provide security independent of U.S. and coalition forces. As a result, SIGIR believes that including in the quarterly report an assessment of MNF-I's logistics support plans and the Iraqi government's willingness to provide funding to maintain logistics capabilities is both appropriate and necessary.

MNF-I, MNSTC-I, and MNC-I also provided technical comments and additional documentation in response to a draft of this report. SIGIR considered this information in finalizing the report, making revisions as appropriate.

Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund SIGIR-06-033, OCTOBER 2006

Introduction. The capacity of the Iraqi government to provide national security and public order is partly contingent on arming ISF under the Ministries of Defense and Interior. The United States is supporting the Iraqi ministries by providing arms from a variety of sources, including those captured, donated, and purchased. The United States plans to provide equipment for approximately 325,500 ISF personnel by December 2006. Of these, 277,600 have been issued weapons as of August 2006. Responsibility for determining weapons requirements and the initial equipping and training of ISF personnel primarily rests with MNSTC-I.

Objectives. This audit, requested by the Chairman of the Senate Armed Services Committee, addresses the type, quantity, and quality of weapons purchased with the IRRF for the ISF, as well as ISF's capability to independently maintain and sustain these weapons. Although a review of the accountability of the IRRF-funded weapons was not requested, its relevance to sustainment warranted a limited assessment of weapons property records com-

pared to the quantities purchased with IRRF funds. Further, because of the importance of controlling these sensitive items—particularly considering the security environment in Iraq—SIGIR also reviewed compliance with DoD policies for registering weapons serial numbers.

Findings. About \$133 million of the IRRF was used to purchase more than 370,000 weapons through 19 contracts with 142 separate delivery orders. The weapons were small arms, comprising 12 types that ranged from semiautomatic pistols and assault rifles to heavy machine guns and rocket-propelled grenade launchers. The contracts required that the quality of the weapons either be new or not previously issued.

These factors limit ISF’s capability to independently maintain and sustain these specific weapons, and possibly any identical weapons obtained by other means than IRRF:

- the lack of spare parts to conduct maintenance and repairs for most types of weapons purchased
- the lack of a requirement to provide technical repair manuals to ISF maintenance personnel
- the apparent decision by ISF units not to fill vacant arms maintenance positions
- the questionable accuracy of MNSTC-I inventories for 3 of the 12 types of weapons purchased with IRRF funds

In addition, during the review of contract files, SIGIR did not locate sufficient docu-

mentation to show that MNSTC-I had fully complied with the requirement to register the serial numbers of all weapons in the DoD Small Arms Serialization Program.

Material Management Control Weaknesses. SIGIR identified two material management control weaknesses:

- the incomplete accountability of weapons procured by DoD for the ISF
- the apparent non-compliance for the registration of weapons serial numbers under the DoD Small Arms Serialization Program

Recommendations. SIGIR recommends that the Commanding General, MNSTC-I, direct his staff to take these actions:

1. Determine the requisite spare parts and technical repair manual requirements by weapons type and, if applicable, weapons model and provide this information to the Ministries of Defense and Interior.
2. Review policies and procedures for filling vacant arms maintenance positions and implement corrective actions for sustainment.
3. Establish accurate weapon inventories.
4. Initiate action to provide weapons serial numbers for compliance with the DoD Small Arms Serialization Program.

Management Comments and Audit

Response. *SIGIR received written comments on the draft of this report from MNSTC-I officials, who generally concurred with recommendations 1 through 3, but did not concur with recommen-*

dation 4. The concurrences were accompanied with comments that identified actions underway or planned relating to the recommendations. MNSTC-I officials non-concurred with recommendation 4, stating that there is no provision or mechanism to register foreign-owned weapons in the DoD Small Arms Serialization Program.

The comments received are responsive to recommendations 1 and 2. However, SIGIR does not believe that the actions described in MNSTC-I's comments for recommendation 3, including a recently established serial numbers weapons inventory system, will address a method for identifying the inventory of weapons previously purchased and the accountability of such weapons. As for MNSTC-I's basis for non-concurrence with recommendation 4, SIGIR requested an opinion from:

- officials at the U.S. Army Materiel Command Logistics Support Agency involved with the DoD Small Arms Registry
- Chairman, DoD Small Arms Coordination Committee
- U.S. Army Executive Agent for Small Arms Logistics at the U.S. Army Tank-Automotive Command, Rock Island Arsenal

They all agreed with SIGIR's conclusion that the weapons purchased for the ISF with appropriated funds under a DoD contract and subsequently transferred to a foreign entity should be recorded in the registry. Further, these officials stated that, "weapons bought under a DoD contract may be recorded in the small arms registry after they have physically transferred

to a foreign entity to document that they were shipped outside the control of DoD."

MNSTC-I's comments are included in the Management Comments section of this report.

Status of the Provincial Reconstruction Team Program in Iraq

SIGIR-06-034, OCTOBER 2006

Introduction. The U.S. government continues to advance capacity-development programs in Iraq's ministries and provinces. For the past four decades, Iraq was a statist economy with a highly centralized administration. Baghdad drove budgeting and service delivery through ministries that funded the provinces. The decentralization of authority that the Coalition Provisional Authority initiated following the fall of Saddam Hussein's regime had the effect of empowering inexperienced local officials to manage the delivery of provincial government services. The consequences of this devolution in decision-making required the United States and other donors to establish programs aimed at developing local capacities. The Provincial Reconstruction Team (PRT) Program is key among these. PRTs provide the best opportunity for U.S. government experts to provide grassroots support in the development of nationwide governance capacity in Iraq.

National Security Presidential Directives 36 and 44 provided the policy and organizational framework for U.S. civilian-military organizations to implement nation-building programs. The PRTs comprise personnel from the Departments of State (DoS), Justice, and Agriculture; the U.S. Agency for International

Development (USAID) and its Local Governance Program contractor, RTI International; the U.S.-led Multi-National Force-Iraq (MNF-I) and its subordinate element, the Multi-National Corps-Iraq (MNC-I); the Gulf Region Division of the U.S. Army Corps of Engineers (GRD); and Iraqi-born expatriates (often holding U.S. citizenship).

In October 2005, the PRTs were established by Cable 4045, issued jointly by the U.S. Embassy-Iraq and MNF-I. The PRT's mission is to assist Iraq's provincial governments in developing a transparent and sustained capability to govern, to promote increased security and rule of law, to promote political and economic development, and to provide the provincial administration necessary to meet the basic needs of the population. The operational concept agreed to by DoS and the Department of Defense (DoD) called for the U.S. Embassy to support the establishment and hosting of some PRTs at DoS-operated sites and for MNF-I to support the establishment and hosting of some PRTs at military sites. Integrated and multidisciplinary teams of U.S. civilian and military personnel and locally employed Iraqi staff were to train, coach, and mentor provincial governments in core competencies of governance, economic development, rule of law, and infrastructure development. This audit report examines the status of the PRT Program in Iraq.

Objectives. The objectives of this audit were to determine whether PRTs are fully empowered, staffed, and resourced to meet their mission, and to identify any other barriers

impeding achievement of the PRT mission.

Specifically, SIGIR addressed these questions:

- Are security concerns affecting PRT operations?
- Are participating organizations effectively coordinating their programs and operational support?
- Are sufficient financial and human resources available to support the PRT mission?

This report did not assess the performance of the PRTs—only the ability of the PRTs to meet the mission. SIGIR intends to assess the performance of the PRTs during 2007.

Results. The unstable security environment in Iraq touches every aspect of the PRT program comprising ten PRTs and eight local governance satellite offices.³⁶⁸ Despite very difficult operating conditions, creating the PRTs in the short period of time is a significant and noteworthy achievement that was directly related to effective senior leadership at the Iraq Reconstruction Management Office and to the Commanding General, MNC-I. Further, SIGIR observed some outstanding individual efforts at selected PRTs to execute the mission.

It is anticipated that the majority of PRTs will continue operating through FY 2008, at which time the mission will transition to a traditional USAID training program to develop local governance capacity. The PRT program has been ongoing for more than a year, and some PRTs are still being established. Many obstacles have been overcome, but many remain, such as the ever-changing security situation, the difficulty of integrating civilian

and military personnel, the lack of a finalized agreement on PRT operational requirements and responsibilities, a lag in funding resources, and the difficulty in recruiting and retaining qualified civilian personnel.

Because of security concerns, face-to-face meetings between provincial government officials and PRT personnel are often limited and, in some cases, do not occur. Security challenges have limited the teaching, coaching, and mentoring that form the core of the PRT capacity-development mission. PRT members are at particular risk when traveling to and from their engagements with their Iraqi counterparts, as are provincial government officials and local Iraqi staff working with the PRT. All are equally at risk if they are identified as cooperating with the U.S. government. Although no one is currently responsible for recording and reporting security incidents, security officials with the U.S. Embassy expressed concern for the overall physical safety of unarmed civilians and cautioned that the security situation may deteriorate as coalition forces withdraw and turn over areas to the Iraqi government.

Given the security situation, the PRTs and the local governance satellite offices have varying degrees of ability to carry out their missions. Specifically, of the nine PRTs and four satellite offices that SIGIR reviewed, four were generally able, four were somewhat able, three were less able, and two were generally unable to carry out their PRT missions.

DoS and DoD have not yet finalized their agreement on PRT operational requirements and responsibilities. This has delayed startup of

some PRTs and hindered operations of others. The lack of a formal agreement means that the lines of authority and coordination between U.S. Embassy and military components have not been spelled out and agreed to, and the operational support mechanisms that the PRTs at military bases depend on—facilities, life support, communications, and basic supplies—have not been settled on.

Despite the lack of a formal agreement, SIGIR found that in general the civilian and military organizations in the PRTs are effectively working together, coordinating their activities, and synchronizing their efforts with coalition stability operations in the provinces. SIGIR also noted that when DoS had difficulty filling many civilian positions, DoD filled the gap by providing military civil affairs personnel for the vacant PRT positions. Although this military assistance filled the temporary void, many of these DoD civil affairs personnel did not have the full range of skills needed for these civilian positions.

During discussions with DoS leadership, SIGIR learned that the DoS portion of the PRT program had enough resources and personnel to meet its PRT program expectations in FY 2007. However, DoS faced a new challenge. In the congressional conference committee report accompanying P.L. 109-234,³⁶⁹ DoS was directed to take several actions before any funds contained in or made available by this Act can be expended in support of PRTs in Iraq. On October 25, 2006, DoS told SIGIR that it had submitted on October 23, 2006, a report with the required information to the

Congressional Committees on Appropriations, thus satisfying the prerequisite for expending funds on the PRTs.

Observations. Because of the unstable security situation at both the Anbar and Basrah PRTs and at the local government satellite offices in Najaf, Kerbala, Qadissiya, and Wassit, the PRT members there have not been able to interact personally with their Iraqi counterparts, significantly limiting the PRTs from carrying out the mission. Therefore, SIGIR questions whether the continued deployment of PRT personnel to Anbar and Basrah and the planned deployment of additional staff to support the local governance satellite offices in south central Iraq makes operational sense at this time. In commenting on the draft of this report, MNF-I told SIGIR that it did not believe U.S. personnel would be required to engage one-on-one with local government officials at the satellite offices. However, in discussions with staff at the Hilla office, SIGIR was told that, to be effective, U.S. personnel assigned to a PRT should have regular direct contact with the local government officials supported by the satellite offices.

On balance, the PRT experience in Iraq demonstrates individual successes arising from individual efforts and improvisations, which allowed some PRTs to move forward with their capacity-development mission. Lessons learned from the PRT experience in Afghanistan showed that the lack of specific guidance led to confusion about civilian-military roles at PRTs. Similarly, executing an effective PRT program in Iraq would have been greatly

enhanced if DoS and DoD shared a common understanding of their respective roles and responsibilities. Now that the PRT has completed its first year, it is time to start gathering lessons learned about what works and what needs improvement in the implementation of the Iraq PRT model.

Recommendations. SIGIR recommends that the Secretaries of State and Defense take these actions:

1. Issue a joint statement reaffirming that the PRT initiative is a DoS/DoD priority, clearly defining the mission and delineating the lines of authority and coordination between civilian and military personnel.
2. Finalize a memorandum of agreement that spells out the shared approach of funding infrastructure, life support, and operating costs of the PRTs at the DoS and DoD sites.
3. Develop detailed plans for completing and sustaining the PRTs, including clearly defined objectives and performance measures; milestones for achieving stated objectives; future funding requirements; and a strategy for sustaining results and successfully transitioning the program to USAID.

SIGIR also recommends that the U.S. Ambassador to Iraq and the Commanding General, MNF-I, take these actions:

4. Issue a joint statement reaffirming the lines of authority and coordination to achieve effective civilian and military integration in the PRT Program.
5. Assign responsibility for reporting attack incidents to one individual at each Regional

- Embassy Office and military forward-operating base and coordinate closely with the U.S. Embassy's Tactical Operations Center.
6. Specify skill-set requirements for civil affairs personnel at PRTs to enable better training, selection, and assignment.
 7. Consider temporarily assigning the PRT personnel identified for Anbar and Basrah, as well as the local governance satellite offices in south central Iraq, to functioning PRTs until the security environment improves.

Management Comments and Audit

Response. SIGIR received written comments from DoS, U.S. Mission-Iraq, and MNF-I on a draft of this report. All of the respondents concurred with recommendations 1 through 5.

Although MNF-I concurred with recommendation 6, DoS did not. DoS officials believe that the civil affairs units supporting the PRTs have the necessary skills to accomplish the role for which they have been assigned. SIGIR agrees with the DoS position; however, SIGIR also noted that assigning personnel on a particular skill-set—rather than as a general civil affairs staff member—added value to the PRT mission. SIGIR also observed that most members of the civil affairs units assigned to the PRTs were motivated to give their best effort to support the mission.

DoS and MNF-I did not concur with recommendation 7. DoS responded that, despite the security concerns, PRT leadership believed the mission was necessary. However, in a meeting after receiving the DoS written comments,

SIGIR was told by a senior DoS official that DoS is now reassessing the staffing of PRTs in locations considered to be high-security risks. SIGIR considers DoS's action to be responsive to recommendation 7. In non-concurring, MNF-I responded that SIGIR may want to consider that although security is an issue in Anbar and Basrah, there is progress to be gained by having an active PRT in the provinces. MNF-I also noted that security is a concern at other PRTs. SIGIR agrees with MNF-I that security is a concern at all PRTs; however, continuing evaluation needs to be conducted at high-risk PRTs to assess their viability in relation to the risk and cost.

SIGIR also received written technical comments on the draft of this report from the Under Secretary of Defense for Policy, as well as GRD. These comments are addressed in the report. GRD generally concurred with the conclusions.

SIGIR considers that all comments received are responsive to the intent of the recommendations and that technical corrections have been made as applicable. All comments are included in the Management Comments section of this report.

Interim Audit Report on Inappropriate Use of Proprietary Data Markings by the Logistics Civil Augmentation Program (LOGCAP) Contractor

SIGIR-06-035, OCTOBER 2006

Introduction. SIGIR issued this interim audit report because data access and reporting issues impact the transparency of government operations. This review, which was requested by the Office of the Chief of Mission, U.S. Embassy-

Iraq, was announced on July 24, 2006, with the overall objective of determining whether the U.S. government is receiving the services paid for under LOGCAP Task Order 130 and whether the support provided is reasonable, efficient, and cost-effective. During the review, SIGIR noted that the LOGCAP contractor, KBR, continuously marked all information provided to the government as “Proprietary Data.” In addition, the contractor initially refused to provide SIGIR with requested data in its native format (Excel spreadsheet or Access database) because KBR claimed that the actual spreadsheets or databases contained specific proprietary information relating to how KBR conducts its business.

The purpose of this interim review was to provide an assessment of whether KBR is following applicable Federal Acquisition Regulation (FAR) direction on classifying proprietary data and is complying with contract provisions regarding information.

On December 14, 2001, the Army awarded Contract DAAA09-02-D-0007 to KBR as an overarching worldwide support contract for the military’s logistical requirements. Specific requirements under the LOGCAP contract are issued as task orders. On April 27, 2006, Task Order 130 was awarded as a cost-plus award-fee task order for the period April 8, 2006, through April 7, 2007, to provide services necessary to support, operate, and maintain the Chief of Mission and MNF-I staffs at the U.S. Embassy-Iraq. This Task Order was essentially a continuation of services previously obtained under Task Order 100, which was awarded

on November 5, 2004. Task Order 100 was a continuation of services provided under Task Order 44, which was awarded on March 6, 2003, to provide support to the CPA in support of Operation Iraqi Freedom.

Task Order 130 was awarded as a cost-plus award-fee task order. A cost-plus award-fee contract is defined in FAR Section 16.305 as a cost-reimbursement contract that provides for a fee consisting of (a) a base amount fixed at inception of the contract and (b) an award amount, based upon a judgmental evaluation by the government, sufficient to provide motivation for excellence in contract performance. Some of the factors used in determining the award fee for Task Order 130 are the contractor’s cost, responsiveness, quality of service, and adherence to schedule.

Findings. The use of proprietary data markings on reports and information submitted by KBR to the government is an abuse of the FAR and the procurement system. As noted in the examples cited in this report, KBR is not protecting its own data, but is in many instances inappropriately restricting the government’s use of information that KBR is required to gather for the government as part of KBR’s management of Task Order 130.

KBR’s practice of routinely marking almost all of the information it provides to the government as KBR proprietary data, citing the FAR Section 3.104 as the justification, is not consistent with the direction in the FAR as to what constitutes proprietary data. Although this provision of the FAR applies to the protection of bid or source selection information

during the procurement process, it does not apply to data that is reported as part of contractor performance. The result is that information normally releasable to the public must be protected from public release just because the information gathered for the government by KBR, pursuant to KBR's contractual obligations, was marked as proprietary. This inhibits the transparency of government activities and the use of taxpayer funds and places unnecessary requirements on the government to both protect from public disclosure information received from KBR and to challenge inappropriate proprietary markings. It may also impede the government's effort to transition the work currently being performed under the LOGCAP contract to successor contracts. Both the LOGCAP Program Office and Defense Contract Management Agency (DCMA) in its LOGCAP oversight role are seeking to prevent misuse of proprietary markings by KBR.

Recommendations. To limit the use of inappropriate marking of information as proprietary under the LOGCAP contract and to ensure that data are provided in native format, SIGIR recommends that the Commanding General, U.S. Army Sustainment Command, direct the LOGCAP Program Director to take these actions:

1. In all future LOGCAP task orders and modifications to existing task orders, include language restricting the use of proprietary markings.
2. Exercise appropriate contracting officer authority, either directly or through delegated authority to DCMA, to advise KBR in accordance with the requirements of

FAR 3.104-4(d) whenever contractor submissions appear to inappropriately contain proprietary markings.

3. Include specific statements within the Performance Work Statements for the new LOGCAP contract that address both the issue of proprietary data markings and receipt of contract reports and data submissions in native formats.
4. Establish as a performance metric KBR's use of proprietary markings and responsiveness to requests for information as a factor in the determination of award fee ratings.
5. Exercise appropriate contracting officer authority, either directly or through delegated authority to DCMA, to require KBR to provide information to the government—including SIGIR and any other U.S. government audit activity—in the native electronic format (Excel or Access) in which KBR maintains the information. This will facilitate the government's analysis of the information.

Management Comments and Audit

Response. *Because of the continuing impact of the misuse of proprietary markings and the pressing need to address this practice, SIGIR obtained formal oral comments from the Army Sustainment Command, rather than written comments, to expedite the issuance of this report. SIGIR discussed the findings with command officials from the LOGCAP Program Office on October 10, 2006, who agreed with the content of the report and stated that it was very timely. The Army Sustainment Command*

agreed with the intent of SIGIR's recommendations, stating that alternative action would be taken to address them. Specifically, these officials said that they will (1) prepare a modification to the existing LOGCAP base contract to provide guidance to KBR on marking of proprietary data, and (2) include guidance on marking proprietary data in the successor LOGCAP contracts. SIGIR believes that these actions are responsive to and fully meet the intent of recommendations number 1 and 2. SIGIR will follow up and comment in the final report on the alternative actions to meet the intent of the remaining recommendations.

Interim Audit Report on Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)

SIGIR-06-037, SEPTEMBER 2006

Introduction. In November 2003, Congress passed P.L. 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, which appropriated \$18.4 billion for the rebuilding of Iraq. This money is known as the Iraq Relief and Reconstruction Fund 2 (IRRF 2).³⁷⁰ The funds provided in P.L. 108-106 were to remain available until September 30, 2006; when the authority to initially obligate these funds expired. As of August 24, 2006, according to the financial records of the USACE Finance Center, DoD had about \$464 million remaining in IRRF 2 to obligate by September 30, 2006, as detailed in the Corps of Engineers Financial Management System (CEFMS) report of all DoD IRRF 2 obligations and disbursements allocated to DoD.

Objective. This review was announced on July 21, 2006, with the overall objective of determining the amount of unmatched IRRF disbursements and examining whether U.S. agencies have established adequate management controls over these unmatched disbursements. During SIGIR's review of unmatched disbursements, 96 obligations for about \$362 million were found under a "dummy vendor" category. The term "dummy vendor" was used in the USACE Financial Management System to enter data into a data field for vendors when no specific vendor existed.

SIGIR does not believe that there was any attempt to mislead understanding of the true status of obligations in using this name. USACE has since changed this terminology from "dummy vendor" to "IRRF in-scope modifications and estimate cost-to-complete projects" to more accurately reflect the purpose of the obligations.

The objective of this interim audit was to assess whether the obligations of IRRF funds initially noted as dummy vendor met the criteria for proper obligations.

Findings. SIGIR's review of PCO obligations recorded in USACE's financial records determined that the \$362 million recorded under the vendor name "dummy vendor" do not constitute proper obligations. The establishment of these obligations is not consistent with a 1995 decision by the Comptroller General of the United States on appropriations availability, GAO's Appropriations Law Manual, and the DoD Financial Management Regulation (FMR) requirements for recording and reviewing commitments and obligations.

The obligation of amounts from IRRF 2 were required to be made for *bona fide* purposes before September 30, 2006. If action to obligate these funds, consistent with GAO and DoD guidance on what constitutes proper obligations, had not been taken by September 30, 2006, the obligations would have expired. As a result, USACE actually over-reported its obligations by \$362 million. As of August 24, 2006, \$826 million was remaining to obligate by the end of the fiscal year.

SIGIR also believes that including the \$362 million of improper IRRF obligations in the CEFMS official accounting records has resulted in inaccurate reporting to Congress on the amount of IRRF funds obligated and the funds remaining to be obligated. Consequently, DoD management and Congress are not receiving accurate information on the IRRF.

Guidance Exists on Availability and Recording of a Proper Obligation. The Comptroller General of the United States, GAO's Appropriations Law Manual, and the DoD FMR provide guidance on what constitutes a proper obligation. According to the GAO Appropriations Law Manual, Chapter 7, an "obligation" is an action that creates a liability or definite commitment on the part of the government to make a disbursement at some later time. In a 1995 decision,³⁷¹ the Comptroller General stated that it is a fundamental principle of appropriations law that appropriated amounts are limited for obligation to a definite period and are available only for payment of expenses properly incurred during that period of availability. The

Comptroller General further stated that unless properly obligated during their period of availability, any amounts reserved in a contingency account would not be available to support obligations arising after the expiration of their period of availability.

This decision is discussed in detail in GAO's Appropriations Law Manual, Chapter 5.³⁷² The manual states: "An appropriation may not be used for the needs of some time period subsequent to the expiration of its period of availability." With respect to annual appropriations, a more common statement of the rule is that an appropriation for a given fiscal year is not available for the needs of a future fiscal year. IRRF 2 is a multiple-year appropriation (FY 2004 to FY 2006), and apart from the extended period of availability, multiple-year appropriations are subject to the same principles that apply to annual appropriations.

Obligations shall be recorded in the official accounting records at the time a legal obligation is incurred, or as close to the time of incurrence as is feasible, according to DoD's FMR, 7000.14R, Volume 3, Chapter 8. An amount shall be recorded as an obligation only when supported by documentary evidence of the transaction. Table 3-2 shows these obligations by category.

As shown in Table 3-3, these obligations cover nine construction and non-construction sectors of the Iraqi economy. The bulk of them—69%—are in the oil and electricity sectors.

On September 7, 2006, SIGIR discussed these results with the USACE Chief Finan-

IRRF 2 OBLIGATIONS DESCRIBED IN CEFMS UNDER “DUMMY VENDOR” ACCOUNTS

TYPE OF OBLIGATION	NUMBER OF CEFMS ENTRIES	OBLIGATIONS (\$ IN MILLIONS)	DISBURSEMENTS (\$ IN MILLIONS)
Contingency	30	\$252.2	\$0
Design-build Program Close-out	25	85.1	0
Public Works Center Costs	36	19.4	0
Supervision & Administration	2	0.3	0
Claims & Unknown	3	\$ 5.5	0
Total	96	\$362.5	\$0

Source: Developed by SIGIR from CEFMS data, as of August 24, 2006.

TABLE 3-2

IRRF 2 OBLIGATIONS WITH VENDOR NAME OF “DUMMY VENDOR” BY SECTOR

SECTOR	ENTRIES	OBLIGATIONS (\$ IN MILLIONS)	% OF TOTAL “DUMMY VENDOR” OBLIGATIONS
Security and Law Enforcement	3	\$2.5	.7
Justice, Public Safety Infrastructure, and Civil Society	22	29.0	8.0
Electricity	16	129.6	35.8
Oil Infrastructure	8	119.4	32.9
Water Resources	21	55.7	15.4
Transportation and Telecommunications	12	5.3	1.5
Roads, Bridges, and Construction	9	8.8	2.4
Health Care	4	12.1	3.3
Education, Refugees, Human Rights, and Governance	1	.1	0
Total	96	\$362.5	100.0

Source: Developed by SIGIR from CEFMS data, as of August 24, 2006.

Table 3-3

cial Officer (CFO), the command's senior fiscal official. In response to SIGIR's concerns that the current obligations identified under "dummy vendor" are not proper obligations, the CFO stated that he is in the process of taking several actions:

- formally requesting, on September 6, 2006, a legal opinion from the Army Deputy General Counsel (Ethics and Fiscal) on USACE's plan to reserve funds appropriated for IRRF for in-scope modifications and close-out costs
- initiating discussions with the Office of Management and Budget to determine the validity of this method of reserving and recording IRRF 2 funds
- initiating discussions with DoS, which is responsible for managing IRRF

SIGIR believes that because these recent or planned actions began only on September 6, 2006, there is a high risk that this issue will not be resolved before the authority to obligate IRRF 2 funds expires on September 30, 2006.

Recommendation. SIGIR recommends that the Commanding General, USACE, direct GRD-PCO to immediately review the 96 obligations established for dummy vendors and, to the extent practicable, take steps to obligate these funds consistent with GAO and DoD guidance on what constitutes proper obligations by September 30, 2006, or alternately take steps to ensure that the funds remain legally available.

Management Comments and Audit Response. *Because the subject of this report*

is time-sensitive, SIGIR obtained formal oral comments from USACE. SIGIR discussed the finding with the USACE CFO, the command's senior fiscal official, in an exit conference on September 12, 2006. USACE's CFO agreed with SIGIR's conclusion that the \$362 million in IRRF 2 funds obligated without a vendor name were not proper obligations. USACE is seeking a solution that meets its needs to properly fund future contingency and close-out costs.

On September 18, 2006, the USACE CFO provided an additional response. According to the CFO, USACE will recommend that PCO de-obligate these funds immediately and return the funds to the Department of the Army. The CFO IRRF worksheet identified about \$348 million to be de-obligated. On September 30, 2006, USACE will let these funds expire under their agency code and will maintain these expired funds for in-scope modifications in FY 2007.

Guidance Exists on the Use of Expired Funds. When the initial period for which an appropriation is available expires, the availability of any remaining balances for further obligation is limited. GAO's Appropriations Law Manual provides guidance on the disposition of appropriation balances. An annual appropriation that is un-obligated at the end of the fiscal year for which it was appropriated is said to "expire" for operational purposes: it ceases to be available for the purposes of incurring and recording new obligations.

The same principle applies to multiple-year appropriations as of the end of the last fiscal year for which they were provided. Once a fixed appropriation has expired, the obligated

balances retain their fiscal year identities in an “expired account” for that appropriation for an additional five fiscal years.³⁷³ During the five-year period, the expired account balance may be used to liquidate obligations properly chargeable to the account before it expired. The expired account balance also remains available to make legitimate obligations adjustments—to record previously unrecorded obligations and to make upward adjustments in previously under recorded obligations.³⁷⁴

Unclassified Summary of SIGIR’s Review of Efforts To Increase Iraq’s Capability To Protect its Energy Infrastructure

SIGIR-06-038, SEPTEMBER 2006

Introduction. Iraq cannot prosper without the uninterrupted export of oil and the reliable delivery of electricity. The United States has invested about \$320.3 million over the past several years to improve Iraq’s capability to protect its oil and electricity infrastructure. However, a number of factors—including insurgent attacks, an aging and poorly maintained infrastructure, criminal activity, and lack of rapid repair capability—have combined to hold down Iraq’s oil exports and the availability of electricity. To achieve overall victory in Iraq, the current Administration’s strategy includes protecting key infrastructure nodes and increasing the Iraqi government’s capability to protect its key energy infrastructure. This review addresses the efforts by the United States to increase the capability of the Iraqi government to protect its energy infrastructure. On February 8, 2006, SIGIR made the commitment to conduct the review at a

hearing of the Senate Committee on Foreign Relations to report on the capacity of the Iraqi government to protect its infrastructure.

Because of the importance of infrastructure integrity to Iraq’s future and the challenges being confronted in securing it, this is one in a series of reports addressing Iraq’s capability to maintain its oil and electrical infrastructure integrity. In future reviews SIGIR will address Iraq’s capacity to:

- invest in improving the frail infrastructure
- sustain effective and efficient operation and maintenance of the infrastructure
- prevent, detect, and prosecute those responsible for smuggling and corruption in the electricity and oil sectors

Objectives. This report provides the unclassified summary of a classified SIGIR audit report issued on July 27, 2006,³⁷⁵ which addresses U.S. efforts to increase the capacity of the Iraqi government to protect its critical oil and electricity infrastructure. Specifically, this report addresses these questions:

- What factors affect Iraq’s infrastructure, including attacks, physical condition, and criminal activity? This is an expansion of SIGIR’s original objective of focusing on attacks. This objective’s purpose is to identify the scope of requirements/needs.
- To what extent can the Iraqi government perform independently to protect its oil and electricity infrastructure? This is to identify a baseline metric.
- What support is the United States providing the Iraqi government to increase its capability to protect its oil and electricity

infrastructure? This is to identify the current and future investment of resources needed to attain the desired capability.

Findings. A number of factors—including attacks, aging and poorly maintained infrastructure, and criminal activity—are adversely affecting Iraq’s ability to develop a viable energy sector. These factors have combined to hold down Iraq’s oil exports and the availability of electricity. As a result, SIGIR estimates that between January 2004 and March 2006, Iraq lost a potential \$16 billion in revenue from oil exports because of limitations on its ability to export oil. In addition to lost export revenues, Iraq is paying billions of dollars to import refined petroleum products to support the consumption needs of its citizens.

MNF-I and the Iraqi Ministries of Oil and Electricity maintain and report data on attacks against infrastructure. MNF-I attack data is classified; the Iraqi Ministries of Oil and Electricity report unclassified data. The Iraq Reconstruction Management Office (IRMO), working with the Ministry of Electricity, has taken steps to improve the Ministry of Electricity’s data on attacks on electric power infrastructure. Before this effort, data for attacks was classified in an *ad hoc* manner, along with all other causes for power outages—such as weather-related incidents or equipment failures. The Iraqi Ministry of Oil’s attack data is limited to attacks against pipelines: it excludes attacks against the nodal portions of the infrastructure. Therefore, its data does not provide a clear picture of infrastructure vulnerabilities.

Attacks against Iraq’s oil infrastructure have ebbed and flowed from January 2005 to April

2006. Like attacks against oil infrastructure, attacks against the electric power infrastructure have also ebbed and flowed between January 2005 and April 2006.

Protecting Iraq’s critical energy infrastructures from attacks is a combined effort involving three Iraqi ministries: Ministry of Defense, Ministry of Oil, and Ministry of Electricity. Each ministry contributes to the mission by providing these forces: Strategic Infrastructure Battalions, Iraqi Army forces (Defense); the Oil Protection Force (Oil); and the Electrical Power Security Service (Electricity). The current capabilities of the forces vary.

Security, however, is only one factor in addressing infrastructure protection. Although much attention has been focused on insurgent attacks, it must be recognized that even if attacks ceased, other factors—such as criminal activity and the effect of aging and poorly maintained infrastructure on operating capability—would continue to affect oil exports and the availability of electricity. For example, attacks have had a limited impact on the failure to reach Iraq’s achievable electric capacity. In fact, there were few attacks against oil and electricity infrastructure from late April 2006 to early June 2006; nevertheless, oil exports were below established targets, and electric power generation was far below demand. Further, once damage or disruption occurs, it is critical that it be repaired quickly, but more needs to be done to enhance rapid repair capability.

Both the U.S. Embassy and MNF-I have done considerable planning that addresses Iraq’s energy infrastructure. There are a variety

of individual plans at different levels from the U.S. Embassy and MNF-I's Joint Campaign Plan; to MNF-I and MNC-I plans and orders to their subordinate commands; to the U.S. Embassy's Critical Infrastructure Integrity Plan and Summer 2006 Energy Sector Action Plan. Each pertains to the implementing organization's mission and responsibilities.

Conclusion. Over the past year, the U.S. government has done much to improve the capability of Iraqi infrastructure security forces, including training and equipping the Strategic Infrastructure Battalions and partnering coalition forces with Iraq's Strategic Infrastructure Battalions, the Oil Protection Force, and the Electrical Power Security Service. The U.S. government has also developed an array of initiatives designed to both protect the energy infrastructure and facilitate transition of the responsibility for protecting it to the Iraqi government.

The Iraqi government has much to do if it is to implement U.S. proposals, as well as proposals put forth by its ministries. Progress in acting on them has been slow, in part because of the lack of a permanent government and in part because of the limited initiative of some Iraqi ministries. Now that a permanent government is in place, it must take bold action.

The new Iraqi government is pursuing initiatives to enhance the security and performance of the oil and electricity sectors. Increasing oil exports and providing electricity are the top priorities. The Iraqi government's plan identifies a number of steps that it says it will take to achieve these ends. The challenge for the United States is to help the Iraqi gov-

ernment move forward to undertake the tasks needed to improve infrastructure integrity.

One way to encourage the Iraqi government to take needed action is to focus U.S. congressional attention on what the new government is doing and still needs to do to address the integrity of its energy infrastructure. Current reporting by DoS and DoD³⁷⁶ to Congress does not provide adequate information on the progress being made by the Iraqi government, the status of specific steps the new Iraqi government has taken, and what further specific steps remain to be taken. Currently, DoS and DoD reports contain only a general description of progress in Iraq, but not specific information on actions that need to be taken by the Iraqi government to enhance infrastructure integrity and progress it is making in taking those actions.

Management Actions. Working with SIGIR staff, the IRMO (Electricity sector) has developed and implemented a new methodology for recording data on attacks against the electric infrastructure in response to SIGIR's concerns. Data based on the new methodology will enable IRMO to better track and analyze input from the ministry.

Recommendations. SIGIR made a number of recommendations to the Commander, MNF-I, and the U.S. Ambassador to Iraq in several areas to further advance protection of Iraq's infrastructure and transition the responsibility for protecting it to the new Iraqi government. The recommendations included:

1. Encourage action by the Iraqi government by continuing to emphasize the actions that the newly formed Iraqi government must

take to enhance infrastructure integrity, making actions that need to be taken by the new Iraqi government part of subsequent U.S. action agendas, and emphasizing the capacity-building process in discussions with the new government.

2. Support transition plans by working with the Iraqi ministries to develop a performance-based reporting capability to identify their measurable events and gauge progress in their infrastructure integrity capabilities.

To improve Iraqi reporting on attacks against oil infrastructure, SIGIR recommended that the IRMO Director work with the Ministry of Oil to expand its reporting to include attacks against nodal infrastructure.

To keep Congress advised, SIGIR further recommended that the Secretaries of State and Defense enhance their current quarterly reports to focus attention on progress being made by the new Iraqi government in addressing critical infrastructure integrity challenges. To the extent that such information is classified, it should be reported in classified annexes.

In commenting on a draft of the classified report, the U.S. Embassy suggested that SIGIR add two additional recommendations to the U.S. Ambassador and Commander, MNF-I:

- Encourage the Iraqi government to take additional actions regarding Iraq's oil and electricity infrastructure involving facilitating foreign investment in Iraq's oil industry.

- Encourage developing a rapid repair capability.

SIGIR believes that the suggested recommendations are consistent with the results of the audit and have merit; therefore, they are added to the report.

Management Comments and Audit

Response. *SIGIR received written comments on the classified report from the U.S. Embassy and MNF-I. The U.S. Embassy stated that the report accurately captures the key issues that the Iraqi government needs to address to better protect its infrastructure, as well as the U.S. mission's engagement efforts with the Iraqi government on these matters. MNF-I concurred with the overall findings of the report and had no major issues with its content.*

Because the underlying report was classified, SIGIR obtained an official classification review of this summary from the Commanding General, MNF-I. The review determined that this summary is unclassified.

Draft Reports Issued

SIGIR had issued two draft audit reports as of the reporting date.

Fact Sheet: U.S. Government Organizations' Roles and Responsibilities for Iraq Relief and Reconstruction Activities

SIGIR-06-022

This report describes the roles and responsibilities of the principal U.S. government organizations engaged in Iraq relief and reconstruction. This report examines how officials in those

organizations view their authority and role in the Iraq effort and how the officials believe they interface with other organizations. (The validation of those authorities, roles, and interface efforts was not in the scope of this review and, therefore, was not conducted.)

Objectives. The objectives of this review were to determine the roles and responsibilities of each principal U.S. government organization with programmatic, operational, and/or financial stewardship for Iraq relief and reconstruction. Specifically, the review focused on these questions:

- Which U.S. government organizations have been authorized to perform a role in Iraq relief and reconstruction activities?
- What are the authorized roles and responsibilities of each organization and their relationship to other organizations?
- How do these organizations coordinate policies, procedures, and activities with each other?
- Of the U.S. government organizations that have not had principal roles and responsibilities, which have provided staff to Iraq relief and reconstruction?
- How much funding was provided to each organization? What kind of funding was provided? What was the purpose of the funding?
- What performance reporting does each organization produce, to whom, and how often?
- What event triggers the cessation or transfer of each organization's mission relating to Iraq relief and reconstruction?

Lessons Learned: Contracting in Iraq Reconstruction: Design-build vs. Direct Contracting

SIGIR-06-027

The objective of this assessment was to understand how the major construction contracts have been implemented in Iraq. SIGIR compared the two major project delivery systems used in Iraq—design-build and direct contracting—to U.S. industry-leading practices to identify the circumstances that enhance or limit their successes.

Ongoing Audits Review of Close-out Processes and Procedures for IRRF Contracts

SIGIR-6006

The purpose of this audit is to determine whether contracts funded by IRRF (including task orders, grants, and cooperative agreements) are being closed out on time and whether they comply with the Federal Acquisition Regulation (FAR) 4.804 1(a) and other applicable regulations, policies, and procedures.

Review of DynCorp, Inc., Contract Number S-LMAQM-04-C-0030, Task Order 0338: Iraqi Police Training Program Support

SIGIR-6017

This is a joint review with the Department of State Office of Inspector General. The objectives of this audit are to answer these questions:

- What were the costs associated with Task Order 0338, including amounts obligated and expended, potential liabilities, and controls over these costs?

- What is the status of property purchased under Task Order 0338, including related internal controls, and what is the salvage value for unused assets?
- What is the cost and program impact of the stop-work order affecting the construction of police training facilities at the Adnan Palace?
- What is the status of construction of facilities to support provincial police training programs?

Review of the Planning and Process Followed To Protect the U.S. Government Investment When Deciding To Terminate Parsons' Primary Healthcare Centers Program

SIGIR-6018

This review will evaluate planning and execution actions taken by the U.S. government relating to the termination of Parsons' Primary Healthcare Centers program, in terms of effective, efficient, and economical decision-making. SIGIR will also address any lessons learned. This is a change in the original review objectives in the project announcement. SIGIR made this adjustment to provide the most effective review and recommendations to the U.S. government managers responsible for this program.

Follow-up on Corrective Actions Related to SIGIR Recommendations Concerning the Development Fund for Iraq (DFI) Accountability

SIGIR-6025

This follow-up review will assess the actions taken by U.S. government representatives on the recommendations made in previous SIGIR audit reports on the accountability for contracts, grants, and cash transactions using the DFI. SIGIR will also review the work performed under contract W91GXQ-05-C-0014, which was let in response to SIGIR's recommendations to capture DFI-related contract and financial records and associated documentation. The results of this follow-up will be documented in an audit product and briefed to the International Advisory and Monitoring Board for Iraq.

Iraq Relief and Reconstruction Fund (IRRF) Financial Review: Unliquidated Obligations

SIGIR-6026

The overall objective of this audit is to determine the amount of IRRF unliquidated obligations and whether the U.S. government agencies responsible for reconstruction projects in Iraq have established adequate management controls over IRRF 1 and IRRF 2 unliquidated obligations. SIGIR intends to answer these questions:

- How much IRRF monies remain as unliquidated obligations?
- Have unliquidated obligations or monies committed to complete projects been

de-obligated, decommitted, and moved to cover unfunded requirements?

- What management controls are in place to monitor unliquidated obligations?

Iraq Relief and Reconstruction Fund (IRRF) Financial Review: Unmatched Disbursements

SIGIR-6027

The overall objective of this audit is to determine the amount of IRRF unmatched disbursements and whether the U.S. government agencies have established adequate management controls over IRRF 1 and IRRF 2 unmatched disbursements. SIGIR intends to answer these questions:

- How much IRRF monies have been identified as unmatched disbursements?
- How often are unmatched disbursements reviewed by government officials, and who makes the determination that the disbursement was an IRRF expenditure?
- Have IRRF unmatched disbursements subsequently been identified to other IRRF projects?
- What management controls are in place to eliminate and resolve unmatched disbursements?

Review of Spending Under the USAID Bechtel Contract and the Recording and Reporting of Associated Costs

SIGIR-6028

The objective of this review is to determine, in detail, the costs incurred by the contractor in performing work under selected contracts with USAID for reconstruction projects in Iraq, as

well as the methods used to record and report associated costs. SIGIR intends to answer these questions:

- What cost detail is contained in the invoices and supporting documentation that Bechtel submitted to the government?
- What costs did Bechtel incur in carrying out its contracted tasks, including material, labor, overhead, security, subcontracts, and all other costs?
- How many layers of subcontracts did Bechtel have in performing the contracted work?
- What types of contracts—firm fixed-price, cost plus, or other arrangement—were used for subcontracts?
- At each layer of subcontracting, what costs were billed to the next level of subcontractor?
- What administrative fees were charged by the contracting agency?

Review of Logistics Civil Augmentation Program (LOGCAP) Task Order 130

SIGIR-6029

This review was requested by the Office of the Chief of Mission, U.S. Embassy-Iraq. The overall objective is to determine whether the U.S. government is receiving the services paid for under Logistics Civil Augmentation Program (LOGCAP) Task Order 130 and whether the support provided is reasonable, effective, and cost-effective. Task Order 130 was awarded to provide services necessary to support, operate, and maintain Chief of Mission and MNF-I staffs at the U.S. Embassy-Iraq. SIGIR will review two service areas in particular:

(1) vehicle service and maintenance and (2) fuel procurement, delivery, and pricing. The audit will answer these questions:

- Are all requirements, including those initiated by the contractor, properly validated?
- Is a proper and adequate review process in place for all work?
- Does the contractor present auditable invoices?
- Is all work properly evaluated against criteria?
- Do proper controls exist for the property associated with this task order?
- What are the lessons learned from the management and execution of the service contract process and practices related to this task order?

In addition, SIGIR will assess the suitability of continuing a LOGCAP-type contract arrangement for selected services when the U.S. Embassy-Iraq moves into its new compound. For comparative purposes, SIGIR will look at similar services performed, associated costs incurred, and which U.S. government agencies were responsible for each area under previous LOGCAP contracts, as well as similar life-support services provided under other contracts in Iraq.

Lessons Learned from Management and Organizational Challenges of the Iraq Relief and Reconstruction Fund

SIGIR-6032

This continues the SIGIR review (SIGIR-6012) on how roles and responsibilities have been

assigned for the management of IRRF. This study will identify leading practices that may be used to guide future multi-organizational interaction for managing similar relief and reconstruction initiatives. The objective of this study is to answer these questions:

- What is the ideal structure of the Reconstruction Management Office, in terms of roles and responsibilities, as it goes from training and planning to support deployment, pre-deployment actions, actual deployment, and re-deployment?
- What should the skill set of the organization be as it goes through these phases?
- What is the ideal size during each of these phases and most especially during the full deployment phase?

Controls over U.S. Government Property in the Possession of USAID Contactor Bechtel National, Inc.

SIGIR-6033

The objective of the audit will be to determine whether USAID established and implemented controls over government property provided to or acquired by Bechtel or its subcontractors for reconstruction projects in Iraq, under Contract No. SPU-C-00-04-00001. Specifically, SIGIR will answer these questions:

- Are the properties being accurately documented, including all necessary procedures to track the item from the purchase authorization to disposal?
- Are the properties being accurately inventoried and safeguarded?

- Are the properties being controlled and disposed of in accordance with relevant regulations?

Review of Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund (IRRF) Contracting Activities

SIGIR-6034

These are the objectives of this review:

1. Determine the extent to which the design-build contractors (or other large contractors) have identified, captured, and reported the security costs of their IRRF contracting activities.
2. Determine the impacts of these security costs in relation to the overall original project estimates. Security costs include Personal Security Details; construction site protection (guards, security equipment, and improvements); living area protection (guards, security weapons/equipment, and improvements); security to support convoy or other types of travel; and security-related intelligence.

To meet these objectives, SIGIR requested from select contractors the answers to these questions:

- What total amount of IRRF contract dollars disbursed to you was spent on security costs?
- What percentage of total IRRF funds disbursed to you comprises the prime's security costs?
- What are the initial and subsequent revisions to the projected security costs of your IRRF contracting activities?
- How and when did the magnitude of these costs become evident, and what were the significant causal or contributing factors?
- What method(s) of record-keeping was used for capturing and differentiating between the types of security required, such as personal security details (PSDs), site, perimeter, convoy/material movement, etc.?
- What is the breakdown, by category (billed, charged, estimated) of both the direct and indirect security costs of your IRRF contracting activities?
- Are there any additional security cost increases from subcontractor work?

Review of U.S. Government Organizations' Plans and Programs To Support Capacity Development of the Iraqi Government

SIGIR-6035

The overall objective of this review is to assess whether U.S. government organizations have plans and programs in place for capacity development in the Iraqi government. SIGIR is coordinating this review with GAO to answer these questions:

- Have DoS, USAID, or any other U.S. or coalition government organization assessed the competency of the responsible Iraqi ministries for the long-term management of essential government functions?
- What are the plans of U.S. government organizations to address identified shortcomings, and how is the U.S. government working with other international institutions to coordinate solutions?

- What performance indicators or metrics will be used to measure progress, and who is responsible for measuring progress?
- Have U.S. government organizations identified adequate funding or developed plans in concert with other international donors for carrying out capacity development programs in future years?

Final Audit Report on Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)

SIGIR-6036

The objective of this final report is to identify lessons learned and issues associated with funding contingencies related to construction contracts.

Review of the Commander's Emergency Response Program (CERP) for Fiscal Year 2006

SIGIR-6037

This review will determine:

- What controls are in place to ensure the accountability of CERP funds and project records?
- Were CERP funds used for intended and authorized purposes?
- What is the status of coordination of the CERP with other reconstruction funds and programs, particularly for reconstruction projects with strategic value, for FY 2006?
- How do commanders plan forced sustainment by the local Iraqi government for completed CERP projects?

Planned Audits

SIGIR will conduct performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs and operations as necessary. These audits will be accomplished through individual audit projects of specific issues, as well as an audit series that will evaluate several components of related topics. Each of these audits will be announced before the start of any audit field work. For the full text of the audit plan, see the SIGIR website: <http://www.sigir.mil/>.

These audits are planned to be announced during the next quarter:

- Review of Federal Civilian Personnel Staffing Requirements for the Management and Execution of IRRF (IRMO)
- Cost-to-Complete Follow-up and Use of the Project Assessment Report
- Comparative Analysis of Air Force Center for Environmental Excellence Versus Gulf Region Division in IRRF (Project Management and Contracting)
- Review of the Use of Sector Project and Contracting Office Contractors (SPCOC) in Managing IRRF Programs and Projects
- Survey of the INL IRRF Programs and Projects for Iraq
- Review of the Accuracy of IRRF Financial Reporting
- Where did the Money Go? Trickle Down Series
- Property Accountability Series—High-risk Property